

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7156**

**BILL NUMBER:** SB 208

**NOTE PREPARED:** Feb 23, 2007

**BILL AMENDED:** Feb 22, 2007

**SUBJECT:** Prior Authorization for Nursing Home Admissions.

**FIRST AUTHOR:** Sen. Dillon

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill provides that an individual may be required to receive prior approval from the Office of Medicaid Policy and Planning (OMPP) before being admitted to a nursing facility under certain circumstances. The bill repeals a provision that states that no Medicaid per diem is reimbursable for an individual who refuses to participate in preadmission screening before entering a skilled health facility or who enters a skilled health facility after being notified that the placement is not appropriate until the individual participates in the program or is notified that the placement in a skilled health facility is appropriate. The bill also repeals a provision that defines the Area Agency on Aging as the agency designated to carry out the nursing facility Preadmission Screening Program.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** (Revised) This bill would provide that a Medicaid-eligible person being discharged from a hospital to a nursing facility may be required to have prior approval from OMPP before being admitted to the nursing facility. Prior approval may be required in addition to the currently required participation in the nursing facility Pre-Admission Screening program (PAS). If prior approval is not received before admission to the nursing facility, the individual would not be eligible for Medicaid nursing facility cost per diem benefits for one year after admission. This bill could result in cost savings for the state and improved quality of life for individuals diverted from avoidable nursing facility admissions.

OMPP has estimated that 10% of individuals who might otherwise be admitted to nursing facilities directly from a hospital could be diverted to home- and community-based services by requiring prior approval. OMPP estimated that if 81 individuals can be diverted, approximately \$3.3 M of total nursing facility cost (\$1.2 M state share) could be avoided in the Medicaid program. This estimate does not include the offsetting cost of

home-care waiver services that would be provided for diverted individuals. However, by definition, waiver services may cost no more in the aggregate, than the placements in nursing facilities.

OMPP would contract for prior approval services. The cost of the contract does not appear to be included in the estimated savings.

The Medicaid program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of State Revenues:** See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** County-owned nursing facilities might experience a minor reduction in admissions.

**State Agencies Affected:** Division of Aging and OMPP, Family and Social Services Administration.

**Local Agencies Affected:** Local county-owned nursing facilities.

**Information Sources:** Division of Aging, Family and Social Services Administration.

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